

QUOTE OF THE DAY

President Museveni speak
impose himself on us. Who did he th
guides show that persuading people

EDITORIAL

Govt must pore over question on fuel tax

A proposal by the International Monetary Fund (IMF) in its February Post-Financing Assessment Discussion Staff Report to introduce Value Added Tax (VAT) on fuel products has prompted a mixture of derision and alarm. The lender opines that slapping VAT on fuel, whilst at the same time reducing Excise Duty, will have the positive effect of boosting domestic revenue mobilisation and improving fiscal sustainability.

The jury is, however, still out. Despite cracking open the possibility of widening the country's tax base, the deepest fears of many are that any such move risks drawing the public's ire due to the high sensitivity in fuel prices.

This might appear to fit the bill of being the quintessential act of political expediency since fuel exemptions, as the IMF notes in its report, are politically popular. But that is only half of the story. Fuel-related taxes can have potentially devastating effects on low-income earners who heavily rely on products like kerosene. The knock-on impact on transport and food costs can be just as

brutal. If not more. Pump prices, as it is, are already punishingly high, with the price of a litre of petrol well above the Shs5,000 barrier. The price of a litre of diesel is also menacingly close to breaching the aforementioned barrier. While it is indeed true that increasing costs for motorists is politically difficult, what is rarely discussed and, perhaps, poorly understood is that Uganda's budget policy wonks cannot lay claim to taxes collected from car drivers being used to fund public transport.

This is because there is no semblance of public transport in Uganda. The poor state of roads in the country also invites pertinent questions as to where the Shs1,650 and Shs1,380 fuel duties the government levies on each litre of petrol and diesel, respectively, go.

We believe it is healthy for people in Uganda to have a sober conversation on this subject. The aforesaid people should also interest themselves in whether there are relative merits for the government to import refined fuel through its deal with Vitol Bahrain. The State-owned Uganda National Oil Company (Unoc) runs point on the deal that put Kenyan oil marketing companies out of business when it was green-lighted by Nairobi in early 2024. Before pulling the rug from under the feet of the Kenyan middlemen, the price of a litre of petrol was Shs4,700.

Currently, it is north of Shs5,000. While Unoc has previously blamed the failure to, as promised, bring down pump prices on a range of geopolitical factors, could there be more than meets the eye?

We continue to call for an evidence-based discussion that will stop the country from, excuse the pun, running on fumes. The question of public transport, or lack thereof, has to be decisively addressed.

Only then can the government justify increasing the cost of motoring in the name of addressing the more and longer traffic jams that so impoverish the country. Short of that, people in Uganda will continue to face a double whammy of paying higher taxes on fuel products and spending longer in traffic. It morphs into a triple whammy if the attendant effects of high fuel costs on food prices are to be considered, as, indeed, they should.

The issue:

Fuel tax

Our view:

We continue to call for an evidence-based discussion that will stop the country from, excuse the pun, running on fumes.

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